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SUBJECT: PRO-RIGHT HAND DRIVE RALLIES TAKE PLACE THROUGHOUT EASTERN
RUSSIA

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Summary

11. On November 22, demonstrators throughout the Russian Far East (RFE) staged rallies to protest the National Duma's proposal to ban the import and limit the use of right-hand drive vehicles from Japan. The largest demonstration -- which took place in Vladivostok -- attracted seven thousand participants including the Mayor and blocked traffic for much of the day. The proposal to ban the import of used cars older than five years and to increase customs duties for all foreign second-hand cars by 30 per cent would make used cars from Japan -- which make up 90 percent of passenger vehicles in the Russian Far East and 60-80 percent in Siberia -- as much as USD 3,000 more expensive. The Duma justifies the measure as necessary for supporting domestic automobile producers and dealers.

Demonstrations Throughout Eastern Russia

12. Demonstrators throughout the Russian Far East and parts of Siberia staged rallies to protest a proposal put forward in October by the National Duma's Tariff and Customs Committee to ban the import of used cars older than five years and to increase customs duties for all foreign second-hand cars by 30 per cent. Though it applies to all foreign cars regardless of country of origin, the measure most severely impacts cars from Japan and has the greatest detrimental effect on residents of eastern Russia.

13. The new measure would make the Japanese cars -- much preferred by Far East Residents -- as much as USD 3,000 more expensive. Over 90 percent of passenger vehicles in most cities in the Russian Far East are imported used cars from Japan. Residents of the region prefer the imports because they are less expensive and considered of higher quality than other cars available locally. In Vladivostok, for example, there are so many right-hand drive vehicles that parking facilities place their ticket dispensers on the right hand side of lot entrances. The Duma justifies the measure as necessary for supporting domestic automobile producers and dealers. The federal government rescinded a similar proposal in 2005 after automobile owners and dealers in dozens of cities staged demonstrations against it.

14. The Vladivostok rally attracted seven thousand participants and blocked traffic for several hours. Vladivostok Mayor Igor Pushkaryov and city Duma Deputy Dmitry Penyaz, who supported the protests, assured the demonstrators that the petition signed by angry automobile owners will be delivered to President Dmitriy Medvedev. Pushkaryov even signed the petition. Similar actions took place in other cities of the Russian Far East and Siberia,

including Khabarovsk, Petropavlovsk-Kamchatskiy, Barnaul, Novosibirsk, as well as St. Petersburg and Moscow. In Nakhodka more than 1,000 drivers staged a mock funeral for the right-hand drive and carried a coffin along the main city street. In Khabarovsk, 300 motorists gathered on the central square to sign a petition and delivered it to Polpred Oleg Safonov's office. Petropavlovsk-Kamchatskiy did not grant a permit for a demonstration, and authorities ordered traffic police to patrol the city streets and disperse groups of potential protesters.

15. Though the Vladivostok Mayor and City Duma are in support of the protesters, the Krai leadership has been notably silent on the matter. No Primorye Duma members appeared at the rally, and TV reporters and journalists representing federal media were absent, reportedly after being advised by authorities not to cover the event. As a result, there was only a five second spot shown on regional news that day.

Just the Latest Import Restriction -----

16. The latest proposal, which will be voted on in December, comes after a series of import restrictions implemented starting in the late 1990's. The most recent regulation closed a loophole which allowed inexpensive 'konstructor' automobiles. Many importers hoping to reduce import customs bought used cars in Japan, disassembled them there or on the ship on the way to Vladivostok, and imported them as parts. After clearing customs, importers would then reassemble the parts and save approximately USD 2,000 on import fees. Recently increased tariffs on car bodies, however, made the process less profitable. Authorities had initially banned the import of cars over seven years old, then reduced the age to five years.

Comment -----

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17. Although several such bans have been proposed in the past, the RFE has so far been granted extensions allowing continued use of right-hand-drive vehicles. Residents of the Russian Far East have expressed disappointment with the federal government, which on one hand develops grandiose development strategies for the region, yet continues to pass resolutions which make life for residents here more inconvenient and expensive. Though residents do not often take to the streets in political protest, they have shown that they are willing to take a stand against initiatives that affect their economic interests. The issue of imported cars highlights a practical issue which hinders region/center relations. Though Moscow talks about increasing trade with Asia, and highlights the advantages of the Far East's proximity to Asia, this proposal would dampen RFE-Asia trade. Of the various import-restricting measures to be discussed in the Duma in December, an outright ban of Japanese second-hand imports is unlikely, though the continued, yet gradual, restriction of Japanese automobiles will likely continue.
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